



Director of  
Central  
Intelligence

~~Top Secret~~

OCPAS/CIG

CY# 285

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# National Intelligence Daily

*Saturday*  
*15 October 1983*

~~Top Secret~~

CPAS NID 83-242JX

15 October 1983

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**USSR-WEST GERMANY: Warnings on INF**

*The Soviets are taking every opportunity to warn that NATO INF deployment would fundamentally alter West Germany's relations with the East, hoping this will help heighten public pressure there to delay deployment.* [REDACTED]

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An article in *Pravda* this week implied that basing "first-strike" Pershing IIs in West Germany would undermine the treaties that form the basis for Bonn's policy toward the East. The article followed by two days an open letter from East German party leader Honecker to Chancellor Kohl warning that the deployments would prompt Warsaw Pact countermeasures and could lead to a "new ice age" in relations between the two Germanies. [REDACTED]

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Leonid Zamyatin, the chief of the Central Committee's International Information Department, stated at a press conference in Hamburg on Wednesday that deployments would bring the INF talks to a halt. West German Social Democratic disarmament expert Egon Bahr, who led a parliamentary delegation to Moscow this week, met with First Deputy Foreign Minister Korniyenko, Central Committee International Department head Ponomarev, and Institute of the USA and Canada director Arbatov. Bahr subsequently announced that "no one" believes the Geneva talks will succeed. [REDACTED]

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Warsaw Pact commander Kulikov, in an interview published Thursday, warned that NATO deployments would be met by the placement of new Soviet nuclear weapons in Eastern Europe. [REDACTED]

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**Comment:** The Soviets continue to try to increase West German public apprehension over the consequences of INF deployment in order to intensify political pressure on the government to postpone the process. Further variations on the theme are likely to emerge from Foreign Minister Gromyko's meetings today and tomorrow with West German Foreign Minister Genscher. The West German Government, on the other hand, hopes the talks will demonstrate a willingness by the Soviets to maintain a dialogue on a wide variety of topics and help reduce criticism that Western INF deployments will seriously undermine East-West relations. [REDACTED]

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**NICARAGUA: Oil Pipeline Hit Again**

*Junta coordinator Daniel Ortega has denounced another insurgent attack on the petroleum delivery facilities at Puerto Sandino.* [redacted]

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The Nicaraguan Democratic Force yesterday claimed responsibility for the raid on the terminal, which was repaired recently after an earlier sabotage attack. [redacted]

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Ortega announced several new measures, including stricter fuel rationing, further expansion of the military's reserve forces, and formal requests to foreign governments to help strengthen Nicaragua's defenses. [redacted]

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The US Embassy in Managua reported that, although Mexico is willing to continue shipping oil to Nicaragua, the US firm that owns the Puerto Sandino facilities has announced it will no longer lease tankers to carry oil to Nicaragua. [redacted]

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A Sandinista commander told the press yesterday his forces had defeated an insurgent attempt to seize Puerto Cabezas. [redacted]

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**Comment:** Although the Sandinistas might have gained confidence from the just-completed repairs to Puerto Sandino, Ortega's message indicates deepening concern about the future of Sandinista oil supplies. [redacted]

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**GREECE-US: Debate on Base Agreement**

*Parliamentary approval of the base accord with the US is virtually certain, although the impending debate is likely to be lively.*

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The government this week submitted a bill to Parliament asking for ratification of the bilateral defense agreement. Introductory remarks attached to the bill stress that, in reaching an accord, the government has sought to serve Greek interests, ensure national security, protect relations with friendly countries, and set a "terminative" date for the agreement. The bill has been forwarded to the Committee on Foreign Affairs for discussion and recommendation and is scheduled to reach the floor for debate next week.

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**Comment:** With a strong majority in the Parliament, Prime Minister Papandreou will have little trouble securing approval of the agreement. During the debate, however, Papandreou may find it necessary to respond to critics in ways that could raise tensions with the US. He may again claim, for example, that the accord constitutes a timetable for removal of the bases and that language on maintaining a balance in the region reflects a US commitment to abide by a 7-to-10 ratio in military aid to Greece and Turkey.

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The conservative New Democracy Party almost certainly will vote in favor of the agreement. At the same time, it will criticize the text by pointing to areas in which the agreement is less favorable to Greek interests than draft texts negotiated during its tenure in power.

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Only the Communists are likely to vote against ratification. So far, however, their antibase demonstrations have been poorly attended, and they appear to have been unsuccessful in attracting hoped-for support from the non-Communist left.

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**SOUTH YEMEN: Foreign Policy Balance**

*South Yemen recently indicated its determination to improve relations with Arab and Western states, hoping to obtain economic aid while maintaining good ties to Moscow.* [redacted]

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President Hasani stressed "peaceful coexistence" and "nonintervention in the affairs of regional states" in his speech on Thursday commemorating the 20th anniversary of his country's revolution. Over the past year, Hasani has improved relations with Saudi Arabia, Oman, North Yemen, and the smaller Arab states in the Persian Gulf. Aden also is seeking improved ties with Western Europe. [redacted]

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TASS has announced that a high-level Soviet delegation arrived in South Yemen to attend the celebrations. A First Deputy Commander in Chief of the Soviet Navy is among the visitors. [redacted]

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The Soviet delegation's visit follows by two weeks discussions in the USSR between Hasani and General Secretary Andropov. A Soviet press account described their meeting as "warm and comradely" and stressed the two leaders' basic agreement on Middle East issues. [redacted]

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**Comment:** Hasani's speech is his first comprehensive public statement on Aden's pragmatic foreign policy. It clearly acknowledges Aden's reduced support for radical groups in the region, notably the North Yemeni National Democratic Front and the Popular Front for the Liberation of Oman. Hasani is seeking financial aid from the Arab states of the Persian Gulf and technical assistance from the West to strengthen his country's struggling economy. [redacted]

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The Soviet description of the Hasani-Andropov talks suggests that some headway was made in reducing recent friction over Moscow's limited economic aid and Hasani's overtures to moderate Arab states and the West. The presence of a high-ranking naval officer in the Soviet delegation now in Aden suggests a continuation of the Soviet effort to expand access to South Yemeni naval and air facilities. [redacted]

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**ARGENTINA: Close Presidential Race**

*The presidential race appears nearly even, with three weeks remaining before the election, and the uncertainty has heightened military concerns about the transition.* [REDACTED]

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Peronist candidate Luder has gained a slight edge in recent polls, based largely on traditional support in the interior provinces and among the urban working class. He has made unexpected gains, however, among middle-class and new voters, who earlier had favored the antimilitary and antiunion programs of his center-left rival, Raul Alfonsin. [REDACTED]

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[REDACTED] the labor movement—the backbone of the Peronist party—is badly divided, distracting union leaders from the election and alienating the rank and file, many of whom have switched to the Radicals. [REDACTED]

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[REDACTED] President Bignone has publicly warned dissident officers to honor the military's commitment to holding the election. [REDACTED]

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**Comment:** Luder's lead could easily dissipate. Further disquiet in the military and labor is likely to alienate potential backers, many of whom identify the Peronists with those groups. Moreover, union leaders are unlikely to deliver a unified labor vote, especially in the working class area of greater Buenos Aires where a big pro-Luder vote is essential for a victory. [REDACTED]

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**NETHERLANDS: Gas Export Policy Revised**

*Plans by the Netherlands to increase short-term gas exports are unlikely to have much effect on easing the large projected shortfall in gas supplies for Western Europe in the 1990s.*

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The Dutch Government has announced plans to relax restrictions against new gas exports and to make an additional 100-150 billion cubic meters of gas available at commercial terms over several years. West European demand is expected to reach about \$250 billion cubic meters annually in 1990.

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The government justifies the new policy by taking a more liberal view of reserves and discounting the conservationist approach it has pursued since 1979. It now includes in its estimated reserve some 600 billion cubic meters of nonproven gas reserves and 250-300 billion cubic meters in expected new finds.

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Opposition Socialists and Christian Democrats favor sales over the next two to five years to raise funds for social programs and to reduce the country's large budget deficit. The conservation-minded Liberals are expected to resist higher short-term exports to avoid impeding efforts to curb spending.

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**Comment:** The deficit is the main reason for the government's policy change. The parliament probably will approve the plan before the end of the year, but a tough fight over some details is likely.

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The increased exports probably will not be sufficient to fill the shortage in West European supplies that is likely to occur before Norway's Troll field begins commercial production, possibly by 1986. It also will not preclude the probable need for additional Soviet gas in the 1990s, although it may ease the situation somewhat. Any additional exports beyond those planned will depend in the short term on the Netherlands' ability to obtain assurances of compensating imports in later years.

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**UK: Labor Union Militancy**

*British trade union leaders are urging their members to become more militantly active after three years of comparative calm.*

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Auto union leaders, backed by strong support from the membership and noting increases in economic growth and potential for profit for the industry, are hoping to make up lost ground. After a 48-hour strike last week, workers at the Vauxhall plant settled for an 8-percent increase in wages, below their 20-percent demand but almost triple the government's 3-percent guideline.

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The militant mineworkers' leader, Arthur Scargill, is pushing for a package that could add 20 percent to the coal industry's wage bill this year. Auto, coal, and telecommunications workers are demanding guarantees of job security and an end to the closures that have plagued British industry for several years.

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Union leaders also are upset over what they see as a government attempt at union busting. Under labor reforms proposed by Employment Secretary Tebbit, union members would be allowed to vote on strikes and use secret ballots to elect their leadership. Recent meetings between Tebbit and union leaders to establish a dialogue thus far have failed.

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**Comment:** The key issue remains job security, but wage pressures are building with the recovery. Union leaders need some successes to reverse the decline in union membership and stem the erosion in their power. Union members, however, have not followed their lead for fear of unemployment.

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Large wage increases, especially in the public sector, and long strikes in key industries could stall the recovery and hurt British competitiveness in international trade. The strike activity could backfire on union leadership if it prompts Tebbit to take advantage of polls showing wide support among union members for the government's proposals and push union reforms through Parliament.

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**SOUTH KOREA: Chun Rebuilds His Cabinet**

President Chun's swift reconstitution of his administration will serve to emphasize that he is in control. Chin lee Chong, head of the ruling party, is the new Prime Minister, and former Minister of Sports Lee, who has extensive foreign affairs experience, is the new Foreign Minister. Economic appointments feature experienced technocrats, including people who have held national-level positions before. Chun retained his defense minister as well as his civilian intelligence and presidential security chiefs. Changes in the Blue House include the appointment of Sakong Il, a US-educated economist, as chief economic adviser.

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**Comment:** The new figures are experienced and capable, although they do not have the stature of some of their predecessors killed in Rangoon.

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**USSR: Slanted Report on ICAO Session**

TASS, in reporting last week's session of the International Civil Aviation Organization, highlighted the decision by a subsidiary commission to consider ways to make air traffic control agencies "more responsible" for the safety of international flights. The commission also stressed the need for intercepted planes "to obey demands" by interceptor services. The news agency implied that the 151-member ICAO General Assembly had agreed that conclusions regarding the shootdown of the South Korean airliner are premature until completion of the Soviet investigation.

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**Comment:** Moscow's emphasis on the decision to investigate changes in air navigation rules is an effort to make the best of generally adverse ICAO actions. TASS ignored the ICAO General Assembly vote to back a resolution deploring the shootdown. This treatment indicates that Moscow is putting itself in position to reject the interim report of the ICAO's independent inquiry team—which is due shortly—if it differs from the official Soviet version of events, as it almost certainly will.

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**PAKISTAN: Possible Religious Violence**

Police in Karachi are prepared for sectarian violence when Muharram—the most important Shia religious observance—reaches its climax with major processions on Monday and Tuesday. The US Consulate General reports that demands by Sunni leaders for severe restrictions by the government on the Shia celebration have increased religious tensions. Local observers believe that the memories of Sunni-Shia violence in Karachi last spring are contributing to the present tensions. [REDACTED]

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**Comment:** The potential for sectarian violence during Muharram is high, particularly because of the current disturbances in Sind Province. Sunni and Shia extremists may seek to provoke clashes, and the government probably will respond forcefully to trouble. Religious rioting—even though unrelated to the issues aggravating the unrest in Sind—would further undermine confidence in the government's ability to maintain order and could encourage President Zia's opponents. [REDACTED]

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**USSR-PERU: Offer of Naval Equipment**

The Soviets have offered the Peruvian Navy six amphibious vessels and a training ship, according to the US defense attache in Lima. Attache sources report that truck ferry landing ships—which can carry up to a company of troops—are included in the proposed deal. Although Moscow has not formally authorized the sale, terms reportedly would include an interest-free, five-year loan. [REDACTED]

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**Comment:** Peru has only one operational landing ship and probably would like to acquire new ones quickly for civilian as well as military use. Unlike the Army and Air Force, the strongly anti-Communist Navy has never bought Soviet equipment. It will explore all non-Soviet sources—including the US—before seriously considering the offer, no matter how attractive it is. Moscow apparently is trying to widen its ties with the politically powerful Peruvian military at a time when it believes its influence with the pro-Western government of President Belaunde has declined. [REDACTED]

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## **Special Analysis**

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### **PHILIPPINES: Marcos's Prospects**

*Popular disaffection with the Marcos government has intensified in the aftermath of weeks of unprecedented demonstrations and the cancellation of President Reagan's visit. Opposition groups have grown increasingly confident, and Marcos is beginning to vacillate between his early hardline approach and gestures of reconciliation. His expected announcement next week liberalizing the rules for the National Assembly elections in May will help him regain some of the initiative. It appears unlikely, however, that Marcos can regain his former dominant hold over domestic politics.*

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Moderate opposition groups view the mass resignation of the commission of inquiry a week ago as a victory, and they may now hold out for Marcos's resignation rather than compromise with the government. A public statement by opposition leader Doy Laurel accusing Marcos of arranging Aquino's assassination will make it more difficult for the moderates to deal with Marcos. Antigovernment demonstrations continue daily and show no sign of abatement, but Marcos so far has resisted pressure by the military to reimpose martial law.

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Radical opponents of the government, although not a large part of the opposition movement, appear to be capitalizing on their superior organization to alter the political balance. Several well-known moderate opponents of Marcos have told US Embassy officials recently that the National Democratic Front, an arm of the Communist Party, is disproportionately represented in the major opposition coalitions. This increases the likelihood that future demonstrations will take on anti-US overtones.

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Financial problems have compounded Marcos's political difficulties. Government technocrats met last Friday with the country's 11 largest commercial creditors to request debt rescheduling. Manila continues to fall further behind in its payments on the foreign debt, and the Central Bank was forced to draw down \$300 million in reserves to meet its commitments last week.

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### **Tests Ahead**

Marcos's immediate challenge is to reverse the growing belief at home and abroad that his government's days are numbered. His relations with key interest groups have been badly damaged during the last month.

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Relations with the business community are strained at a time when Marcos needs to appear to be doing business as usual. Manila's devaluation early this month has provoked considerable opposition. A price freeze on basic commodities is doing little to ease popular discontent with financial austerity. [REDACTED]

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Several signs also suggest growing divisions within Marcos's cabinet. Marcos publicly scolded Prime Minister Virata early last week after the press reported Virata's speculations about Marcos's political alternatives. Foreign Minister Romulo has also begun to defy Marcos by refusing to support progovernment propaganda. [REDACTED]

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[REDACTED]  
[REDACTED] The US Embassy, meanwhile, reports that Imelda Marcos is aggressively working to build bridges to all important interest groups, possibly indicating maneuvering for a succession. [REDACTED]

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### Steps To Turn the Tide

The resignation of the commission last week cleared the way for a new investigative body that Marcos and the National Assembly will soon make a matter of law. Because Filipinos still expect little from the investigation, however, the issue of government complicity will remain politically explosive for sometime. [REDACTED]

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### Outlook

Although the heavyhanded tactics that polarized politics immediately after the assassination could keep Marcos in power over the near term, Philippine politics have almost certainly passed a crucial point since August. The demonstrations and the opposition's ability to maintain the momentum underscore a longstanding

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estrangement between Marcos and the population he has governed for 18 years. Even a declaration of martial law would not completely restore Marcos's earlier authority. [REDACTED]

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Marcos's inner circle and the senior military command undoubtedly also sense the change in the political ground rules. Some Philippine politicians have begun to speculate that the inner circle no longer unanimously supports Marcos. In addition, the shift in the loyalty of the business community is a pivotal development, and the need for financial austerity during the next several years suggests it may be irreversible. [REDACTED]

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It is impossible to say what sequence of events could displace Marcos. Even under the best of circumstances, he will be increasingly vulnerable to crises precipitated by any of several events—new health problems, government financial difficulties, or succession jockeying—that he formerly would have withstood easily. [REDACTED]

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